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Company

8 **UNITED STATES DISTRICT COURT**
9 **DISTRICT OF NEVADA**

10 ISMIE MUTUAL INSURANCE COMPANY
11 an Illinois corporation.

12 Plaintiff,

13 vs.

14 GRIGSBY LAW GROUP, a professional
corporation; AARON GRIGSBY,
15 individually, DOES 1-20 and ROE
CORPORATIONS 1 - 20, inclusive,

16 Defendants.
17

CASE NO.:

**COMPLAINT FOR DECLARATORY
JUDGMENT**

18 Plaintiff ISMIE Mutual Insurance Company (“ISMIE”) by and through its attorneys of
19 record, Lewis Brisbois Bisgaard & Smith, LLP, hereby alleges:

20 **JURISDICTION, VENUE AND PARTIES**

21 1. Jurisdiction in this matter is based upon diversity of citizenship pursuant to 28 U.S.C.
22 § 1332(a)(1).

23 2. Plaintiff ISMIE Mutual Insurance Company is, and at all times relevant hereto was,
24 an insurance company organized and existing under the laws of the State of Illinois with its principal
25 place of business in the State of Illinois.

26 3. At all times relevant hereto, Defendant GRIGSBY LAW GROUP, a professional
27 corporation, organized and existing under the laws of Nevada, with its principal place of business
28 in the State of Nevada.

1 4. At all times relevant hereto, Defendant AARON GRIGSBY, individually, was a
2 resident of Clark County, Nevada.

3 5. Each of the defendants designated as Does 1 - 20 and Roe Corporations 1 – 20,
4 inclusive, are individuals, corporations, partnerships, associations or otherwise who allege or may
5 allege that they have an interest in some manner related to the events and happenings herein alleged
6 (including coverage under the subject insurance policy), and who may thereby allege claims against
7 Plaintiff and/or assert claims under the subject insurance policy. The true names and capacities of
8 such individual Doe defendants are presently unknown to Plaintiff, who therefore sues said
9 defendants by such fictitious names. Plaintiff will seek to obtain leave of Court to amend this
10 complaint to insert the true names and capacities of said Doe defendants if and when the true names
11 of these defendants, if any, are ascertained.

12 6. Plaintiff brings this action to obtain a declaratory judgment finding that ISMIE has
13 no duty to defend or indemnify Grigsby Law Group, Aaron Grigsby and/or any insured under the
14 subject policy in connection with claims asserted against Defendants which seek disgorgement of
15 property, assets and civil contempt sanctions.

16 7. Diversity jurisdiction exists because: (a) there is complete diversity of citizenship
17 between ISMIE and the Defendants, and (b) the amount in controversy, including the potential costs
18 of both defending and indemnifying Defendants in the subject action, exceeds \$75,000. The claims
19 at issue involve civil contempt sanctions against Defendants. The policy at issue in this action
20 includes professional liability coverage with limits of \$1,000,000.

21 8. This Court also has jurisdiction because Plaintiff ISMIE alleges an actual
22 controversy between itself and the Defendants for which Plaintiff ISMIE seeks a declaration from
23 this Court regarding the rights and/or other legal relations between the parties.

24 9. Venue is appropriate under 28 U.S.C. § 1391 because the acts from which the
25 Underlying Lawsuit originated, i.e., the alleged wrongs, occurred in the District of Nevada.

26 **FACTS COMMONS TO ALL CLAIMS FOR RELIEF**

27 10. On April 12, 2022, a Complaint was filed in United States District Court Case No.
28 2:22-cv-00612-CDS-EJY captioned *Securities and Exchange Commission v. Matthew Beasley, et*

1 *al.* (the “Subject Action”). The Complaint is attached hereto as **Exhibit A** (the “Complaint”).

2 11. The Subject Action was initiated by the Securities and Exchange Commission,
3 against Matthew Beasley and others alleging violations of the Securities Act of 1933 and the
4 Securities Exchange Act of 1934. *Id.*

5 12. The day after the Subject Action was filed, the court entered a Temporary Restraining
6 Order 1. Freezing Assets, 2. Requiring Accountings 3. Prohibiting the Destruction of Documents
7 and 4. Granting Expedited Discovery, among other things. (ECF. No. 3 TRO.)

8 13. On June 3, 2022 the court entered an Order Appointing Receiver (Receivership
9 Order), which required the Receiver to take possession of all Receivership Assets, including real
10 property and to marshal and preserve the same for the benefit of the Receivership Estate, among
11 other obligations. (*See generally* Order, ECF No. 88)

12 14. The Receivership Order also provided for the turnover of certain property, business,
13 books, records, accounts or assets of the Receivership Defendants to the Receiver. The Turnover
14 Order further prohibited the liquidation, transfer, sell, conveyance or otherwise transfer of any
15 assets, securities, funds, or accounts in the name of or for the benefit of the Receivership Defendants
16 except upon instructions from the Receiver. (*Id.*)

17 15. Shortly following his appointment, the Receiver reached out to Grigsby and his then
18 client, Mrs. Paula Beasley to discuss the turnover of a vehicle and real property in accordance with
19 the Receivership and Turnover Orders. Over the next several months the Receiver and Grigsby had
20 several meetings and contacts regarding compliance with Turnover Orders.

21 16. Ultimately, on October 21, 2022, the Receiver filed a motion to compel or in the
22 alternative motion for an order to show cause against Grigsby and Paula Beasley. That motion set
23 forth numerous and specific violations of the court’s Turnover Order and overall failure to comply
24 with the Receiver’s requests.

25 17. Defendants filed an opposition to the October 21, 2022 Motion to compel or in the
26 alternative motion for an order to show cause.

27 18. On December 16, 2022, Magistrate Judge Elayna J. Youchan granting the motion to
28 compel but not the show cause order.

27. The liability coverage insuring agreements of the Policy provides:

I. INSURING AGREEMENT

A. Coverage

Subject to the Limit of Liability shown in Item 3. of the Declarations and as limited in Section II., the **Insurer** shall pay on behalf of the **Insured** all **Damages** and **Defense Expenses** in excess of the Deductible shown in Item 4. of the Declarations and as limited in Section II., that the **Insured** becomes legally obligated to pay as a result of a **Claim** first made against the **Insured** and reported in writing to the **Insurer** during:

1. the **Policy Period**; or
2. any applicable Extended Reporting Period,

by reason of a negligent act, error or omission in the performance of **Professional Services** by the **Insured** or by someone for whom the **Insured** is legally responsible, provided that such negligent act, error or omission began on or after the **Prior Acts** Date shown in Item 6. of the Declarations.

B. Defense

Subject to the terms, conditions and exclusions appearing in other Sections of this policy, the **Insurer** has the right and duty to defend any covered **Claim** including, but not limited to, the appointment of legal counsel, even if any of the allegations of the **Claim** are groundless, false or fraudulent.

28. The Policy includes the following definitions:

IV. DEFINITIONS

E. Damages means a monetary judgment (including pre- and post-judgment interest awarded against the **Insured**), monetary award or monetary settlement negotiated with the **Insurer's** written consent.

If the **Insurer** makes an offer to pay the applicable Limit of Liability, it will not pay any prejudgment interest based on the period of time after such offer is made. Notwithstanding anything to the contrary contained herein, **Damages** also include those amounts the court is permitted to impose on a debt collector as set forth in 15 USC 1692k(a).

Damages shall not include:

1. any restitution, disgorgement, unjust enrichment or illegal profits by an **Insured**;
2. return or offset of fees or overcharges or amounts which are the subject of fee disputes;

3. punitive or exemplary damages, awards or judgments or any amounts which are a multiple of compensatory damages, awards or judgments, except to the extent insurance for such damages, awards or judgments is insurable under applicable law and is not otherwise excluded by the provisions of this policy.

For the purposes of determining whether such damages are insurable:

(a) the law of the state of incorporation or principal place of business of the **Insured** or the **Insurer**;

(b) the state where the negligent act, error or omission took place; or

(c) the state where the damages are awarded or imposed, whichever is most favorable to the **Insured**, shall be deemed applicable law;

4. civil or criminal fines, sanctions or penalties;

5. any amounts for which the **Insured** is not financially liable or for which there is no legal recourse against the **Insured**;

6. subject to 3. above, amounts deemed uninsurable under the law pursuant to which this policy shall be construed; or

7. amounts paid to comply with any injunctive order or other non-monetary or declaratory relief or award, including amounts ordered to be paid to comply with specific performance or any agreement to provide such relief.

F. Defense Expenses mean reasonable and necessary fees charged by attorneys designated or approved by the **Insurer** and all other reasonable and necessary fees, costs and expenses resulting from the adjustment, negotiation, arbitration, mediation, defense or appeal of a **Claim**, including premiums on appeal, attachment or similar bonds. This provision does not obligate the **Insurer** to apply for or furnish any such bond.

Defense Expenses do not include:

1. salaries;
2. charges;
3. wages;
4. loss of wages; or
5. expenses,

of any partner, principal, director, officer, member or employee of the **Insured** or the **Insurer**.

...

I. Insured means the **Named Insured, Predecessor Firm**, and:

1. any present or future principal, partner, director, officer, member or employee of the **Named Insured**;

1 2. any former principal, partner, director, officer, member or employee of
2 the **Named Insured** or of a **Predecessor Firm**;(Bates ISMIE – INS 000005
– 000007).

3 **GROUND FOR DECLARATORY JUDGMENT**

4 29. ISMIE incorporates by reference the foregoing paragraphs as if fully stated herein.

5 30. There is presently a dispute between Plaintiff and Defendants as to potential coverage
6 under the Policy.

7 31. On January 17, 2024 Defendants, through counsel, sent a demand to ISMIE for
8 defense and indemnity for claims asserted against Defendant Aaron Grigsby by the Receiver and
9 other entities in the Subject Action.

10 32. Based upon the plain language of the Policy, there is no coverage available to
11 Defendants for the claims made by the Receiver in the Subject Action because coverage only exists
12 under the ISMIE Policy for “damages” that are within the scope of coverage, and the disgorgement
13 of property and civil contempt sanctions are expressly excluded from coverage.

14 33. All of the relief, and the only relief, sought against Defendants in the Receivership
15 Action is the disgorgement of assets and return of fees which Defendant Aaron Grigsby has been
16 ordered to pay over to the Receiver and the imposition of monetary sanctions based upon Defendant
17 Aaron Grigsby having been held in civil contempt.

18 34. All of the requested relief by Defendants is expressly excluded from coverage under
19 the ISMIE Policy.

20 35. Because no coverage exists, ISMIE has no duty to defend or indemnify Defendants
21 for claims arising from the Subject Action.

22 36. An actual controversy exists between ISMIE, on the one hand, and Defendants, on
23 the other hand, and by the terms and provisions of Rule 57 of the Federal Rules of Civil Procedure
24 and 28 U.S.C. §§ 2201 and 2202, this Court is invested with the power to declare the rights and
25 liabilities of the parties hereto and to grant such relief as it deems necessary and proper.

26 WHEREFORE, Plaintiff ISMIE respectfully requests this Honorable Court to declare and
27 adjudge the controversy as follows:

28 A. Declare that under the Policy ISMIE has no duty to defend Grigsby Law Group,

1 Aaron Grigsby and/or any insured for claims arising from the Subject Action.

2 B. Declare that under the Policy ISMIE has no duty to indemnify Grigsby Law Group,
3 Aaron Grigsby and/or any insured for claims arising from the Subject Action.

4 C. Declare that Defendants Grigsby Law Group, Aaron Grigsby are bound by the final
5 judgment that this Court enters as to whether Plaintiff ISMIE owes coverage, defense or indemnity
6 to Grigsby Law Group, Aaron Grigsby under ISMIE Policy No. Policy number ALA-04-001896-
7 02.

8 D. Grant any other relief that this Honorable Court deems just and equitable under the
9 circumstances, including an award of costs.

10 DATED this 13th day of March, 2024.

11 LEWIS BRISBOIS BISGAARD & SMITH LLP

12
13 By /s/ Jennifer A. Taylor
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INDEX OF EXHIBITS

ISMIE Mutual Insurance Company v. Grigsby Law Group, and Aaron Grigsby, et al.

EXHIBIT A Complaint in *Securities and Exchange Commission v. Matthew Beasley, et al.*,
United States District Court Case No. 2:22-cv-00612-CDS-EJY.

EXHIBIT B Certified Policy No. ALA-04-001896-02.